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Energy Research Services, Inc.

January 26, 2005

Commissioner James H. Welsh
Office of Conservation
PO Box 94275
Baton Rouge, LA 70804-9275
Attention: Mr. Tod Keating

Re: Application for Public Hearing
Hilcorp Energy Company
Queen Bess Island Commingling Facility No. 4 (93213)
Queen Bess Island Field
Jefferson Parish, Louisiana SN 222730

Dear Commissioner Welsh,

On behalf of Hilcorp Energy Company (Hilcorp), application is being made, pursuant to the provisions of Title 30 of the Revised Statutes of 1950, for the calling of a public hearing, after ten-day legal notice, to consider evidence relative to the issuance of an order giving permission to commingle and allocate production from the BB-1 R102 SUA along with production previously approved at the Queen Bess Island Commingling Facility No. 4, in the Queen Bess Island Field by means of monthly well tests. The BB-1 R102 SUA was created by Conservation Order No. 747-H-2, effective June 6, 2000.

The method of measurement and allocation of production which Hilcorp is proposing is explained in the attached description of operations and schematic flow diagram for the Queen Bess Island Commingling Facility No. 4. As indicated, the production will be allocated by monthly well test, using methods other than gauge tanks. Hilcorp is requesting that a hearing be called so that Hilcorp may present evidence to substantiate its proposal for the utilization of monthly well tests in lieu of gauge tanks for the allocation of said production. The methods of measurement and allocation previously approved at the facility will remain the same.

Attached are copies of the following:

- Schematic flow diagrams
- Description of operations
- List of interested owners, interested parties, and represented parties
- Hearing fee of $755.00

The applicable authority will be covered pursuant to Title 43, Part XIX.Subpart 6, Statewide Order No. 29-D-1. 1505.2 (Well Test). The allocation meters will be tested and proven monthly for liquid hydrocarbon meters and quarterly for gaseous hydrocarbon meters.

In Hilcorp's opinion, this authorization will promote conservation of the natural resources within the State of Louisiana, will prevent waste, will protect the rights of all parties at interest and will result in substantial economic savings without results that may be in any way inconsistent with conservation policies, statutes or regulations of the State of Louisiana. Further, in the opinion of the applicant, the commingling procedure proposed will provide reasonable, accurate measurement, will not create inequities and will insure that the owner of any interest will have the opportunity to recover his just and equitable share of the reservoir content. Hilcorp requests that this matter be set for hearing at the earliest possible time and date.

A copy of this application and attachments, except the check, is being sent to Mr. Richard D. Hudson, District Manager, Office of Conservation, Lafayette, Louisiana. A copy of the legal notice will be mailed to each Interested Owner, Represented Parties, and Interested Parties having an interest in the various leases and units. Hilcorp will also provide for the advertisement of the legal notice in a newspaper of general circulation in the vicinity of the Queen Bess Island Field and also will post the legal notice in a prominent place in the area of the field.

All inquiries concerning this proposal should be directed to Mr. John T. Connolly, Agent for Hilcorp Energy Company, 19345 Point O Wood Court, Baton Rouge, Louisiana 70809.

Should you have any questions, please call or email me at 753-4723 / ersses@cox.net.

Very truly yours,

John T. Connolly
Agent for Hilcorp Energy Company

Cc: Ms. Linda Trahan
Mr. Michael Schoch
Hilcorp Energy Company
PO Box 61229
Houston, Texas 77208

Mr. Richard Hudson
District Manager
Office of Conservation
825 Kaliste Saloom Road
Brandywine III, Suite 220
Lafayette, Louisiana 70508

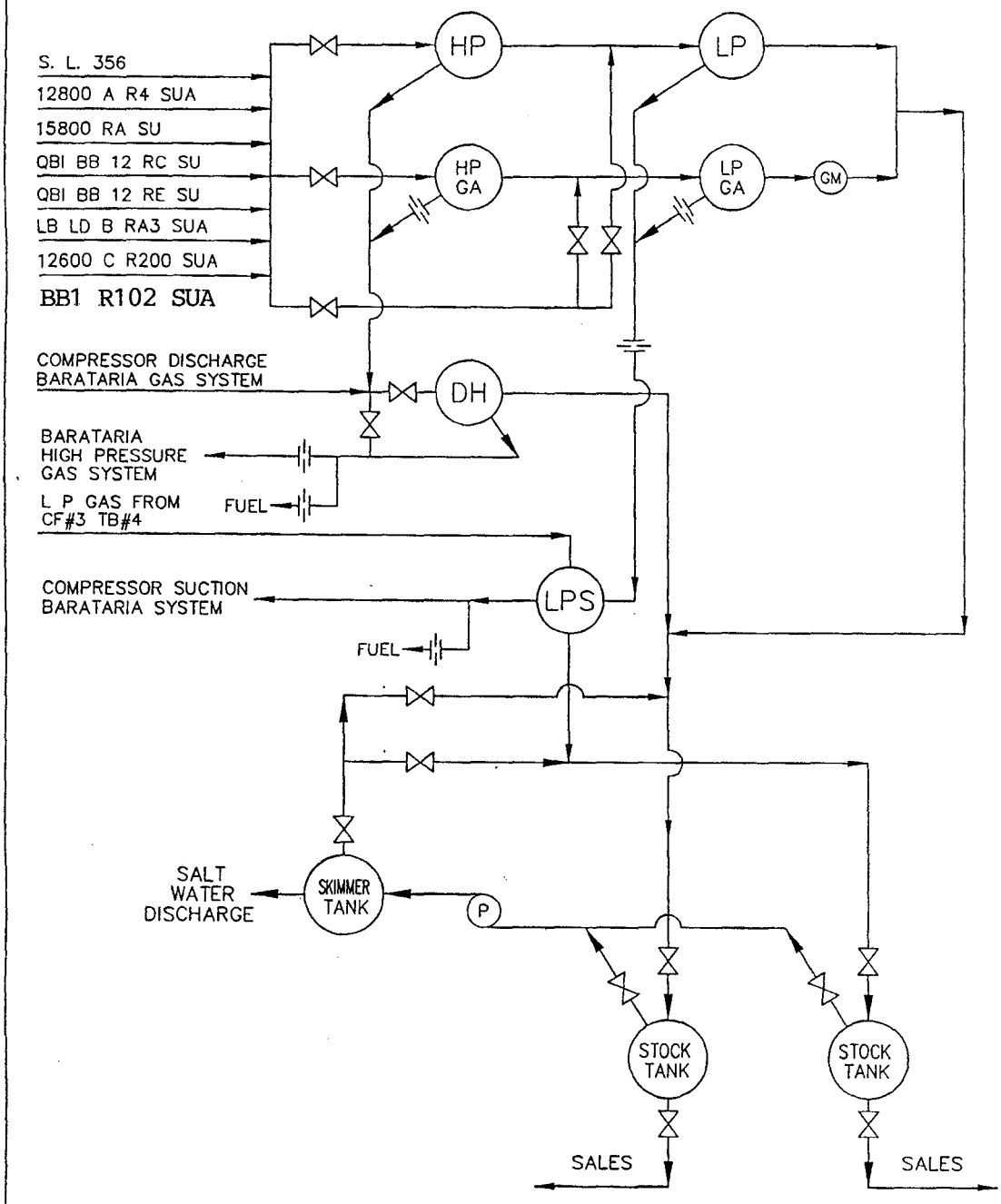
Description of Operation
Queen Bess Island Commingling Facility No. 4
Tank Battery No. 3
Queen Bess Island Field
Jefferson Parish, Louisiana

Production from the BB-1 R102 SUA, SL 356, 12800 A R4 SUA, 15800 RA SU, QBI BB 12 RC SU, QBI BB 12 RE SU, 12600 C R200 SUA and LB LD B RA3 SUA flows to a high pressure separator, to a high pressure gauge separator, to a low pressure separator, or to a low pressure gauge separator. The liquids from the high pressure gauge separator flow to the low pressure gauge separator. Liquids from the low pressure separator flow to commingled storage. Liquids from the low pressure gauge separator flow through a liquid gauge meter before entering commingled storage. Gas from the low pressure separators is metered prior to flowing to a low pressure scrubber. Gas from the high pressure separators is metered prior to entering the high pressure system or the gas dehydrator. Compressed gas can flow to the gas dehydrator or to the high pressure system. High pressure gas is metered prior to entering the Barataria High Pressure Gas System or the fuel system.

The low pressure gas from either the low pressure separators, low pressure gauge separator, or metered low pressure gas from CF#3 TB#4 flows through a low pressure scrubber before entering either compressor suction or the low pressure fuel system. Gas to the fuel system is measured with an orifice meter. Liquid production from the low pressure scrubber flows to a stock tank where it is measured by tank strapping daily. The amount of liquids extracted from the scrubber will be allocated proportionately to each well within the field based on gas volume, measured in MCF's, delivered from each well.

High pressure gas can flow through the dehydrator prior to entering high pressure gas sales or fuel system. Liquids from the dehydrator flow to commingled storage. Because the liquids recovered by the dehydrator contain only a minute quantity of hydrocarbon, the dehydrator's liquid dump is unmetered.

Liquid production can be pumped from either of the stock tanks through a skimmer tank and back to the stock tanks to reduce BS&W to pipeline specifications.



LEGEND

- HP — HIGH PRESSURE SEPARATOR
- HP GA — HIGH PRESSURE GAUGE SEPARATOR
- LP — LOW PRESSURE SEPARATOR
- LP GA — LOW PRESSURE GAUGE SEPARATOR
- LPS — LOW PRESSURE SCRUBBER
- DH — DEHYDRATOR
- VALVE
- ORIFICE METER
- GM — GAUGE METER
- P — PUMP
- ⊙ — MORE THAN ONE INSTALLED

Docket No.05-
Exhibit No. 1
Hilcorp Energy Company
Commingling Facility No. 4
Tank Battery No. 3
Queen Bess Island Field
Jefferson Parish, Louisiana